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Submission to the Retirement Commission on the 2010 Review of Retirement Income Policies

The National Council of Women (NCWNZ) is an umbrella organisation representing 50 Nationally Organised Societies. It has 26 branches throughout the country attended by representatives of those societies and some 150 other societies. The Council's functions are to serve women, the family and the community at local, national and international levels through research, study, discussion and action.

This submission has been prepared by the Parliamentary Watch Committee following consultation with NCWNZ members and a review of NCWNZ policy. It has also been reviewed by a member of the NCWNZ Board.

General Comments

In 1896, at the first meeting of the National Council of Women of New Zealand, the following Resolution was passed:

“That in the opinion of this council, that with a view to securing for the people an assurance against the poverty of old age, it is desirable that a system of old age pensions, or annuities, should be established in this colony..... The cost to be a charge upon the consolidated revenue.”

NCWNZ has consistently supported this view for over a hundred years. Our members believe that it is of particular importance to women who have life patterns which make it more difficult for them to access and grow funds for retirement.

Equal pay for men and women has not yet been achieved and there are worrying signs that earlier gains may have been eroded. Women generally have interrupted working lives with family responsibilities claiming their time. For the same reason many women trade time for money and take casual or temporary work which is often low paid, and intermittent. Although in some sectors of society the gap may be narrowing, in general, women live longer than men.

The National Council of Women remains a supporter of National Superannuation. Our members have also emphasised the importance of political stability. Any changes need long lead times and a political consensus.

In considering this report members were asked to focus particularly on two aspects of retirement income policies:

- The entitlement age for National Universal Superannuation, and
- What women were doing to make provision for retirement years with specific reference to the way KiwiSaver was working for women.

As well members were free to comment on other aspects of financial policies that affected their welfare in retirement.

The entitlement age for National Universal Superannuation

There was strong support for the retention of 65 as the age of entitlement. Members acknowledged that people were living longer, and in better health, but were unwilling to commit to raising the age. If this were to be done most saw a slow, incremental rise to 68 years as the best choice. Members stressed that before this step could be taken there should be wide public consultation and recognition of the fact that not all sections of the population had seen similar rises in life expectancy.

While New Zealand has no compulsory retirement age there is still an expectation among both employers and workers that retirement will occur at or around 65 and members felt that few jobs would be available to older workers. If the age were to increase, members believe that job structures would need to change with the introduction of more part-time or flexible work arrangements.

Most of our member organisations recorded the wide range of voluntary work done by retirees. There was concern that this would collapse if the age of entitlement was raised. However, some groups reported that already there was difficulty in meeting the requirements for volunteers and requested greater consideration for the payment of out-of-pocket expenses. An alternative view proposed that if the volunteers were unavailable, and society valued the services, they would have to be provided commercially and this would cause more paid jobs to be created.

A particular concern arose where women were delaying child bearing and therefore in need of family support at a later age. Grandparents were often fulfilling the role of parents and would be unable to do this if there was a rise in retirement age.

Only one individual was in favour of means testing as a way to reduce the cost to the state. Generally this was felt to be too expensive to administer and too likely to produce its own anomalies.

The concept that superannuation would become unaffordable as the 'baby boomer' generation reached retirement age was questioned by some of our members. They argued that insufficient weight had been given to the view that there would be a corresponding drop in the dependency ratio of under 16s. When this was combined with a relatively slow increase in retirement dependency due to increased personal saving and people remaining in the work force beyond 65, they felt that the inability to maintain superannuation was overstated. They noted that the section of society that continued in the work force or had

independent investments offset much of their superannuation through taxes and their contributions to the economy.

It was also noted that Superannuation was generally spent locally and therefore recirculated into the community.

Financial Planning for Retirement

The efforts of the Retirement Commission and other agencies have given people a greater awareness of the need for financial planning for retirement but the implementation of any plan comes down to a single point; *Disposable income*. Whether within a partnership or as the sole supporter of a family, women reported that they had insufficient income to budget for retirement savings.

A secondary issue is that in some sectors of the community it is considered culturally inappropriate for women to concern themselves with personal financial plans.

Members were almost universally in favour of the concept of KiwiSaver and the promotion of long-term savings. However, the picture changed somewhat with information received from people actually participating in the scheme.

A number reported that they had joined only to take up the tax payer funded subsidies and did not intend to continue paying into the fund. For some this was a conscious choice, for others the opportunity had been lost when employment had ceased. This had happened in a number of ways: the job had been lost, or family responsibilities had demanded a change in employment and women were now taking casual, intermittent employment which made it difficult for them to commit to regular savings. Most women were working to fund necessities and this left little extra income available for saving. It is possible that as circumstances change these people will return to the KiwiSaver scheme but another possibility is that having had this experience they will be looking for different investment opportunities.

One member raised the question of diversity. She noted that all investment advice revolved around the need to diversify investments so that if one sector was at a low point it could be balanced by another. Her experience with KiwiSaver was that the funds tended to lack diversity either in investments or in the financial instruments which were used, and she intended to look for a wider range of investments rather than persist with KiwiSaver. The recent recession and the financial failures have both educated people and made them very cautious.

From the responses we have had it seems unlikely that women will reach the KiwiSaver targets which were used in promotion material, and this reinforces the view of NCWNZ that National Superannuation will continue to provide an important income stream for most New Zealand women.

Other Retirement issues

- Members were very concerned with recent ACC policies to refuse payment for treatment of accidents where there could have been prior weakness attributable to normal ageing.
- Local government needed to plan for the infrastructures that will be needed for an ageing population. Motor scooter lanes, walkways, convenient public transport and libraries were all mentioned as features that required special consideration.

Conclusion

Retirement income is a particular issue for women who generally do not have the same opportunities to develop financial independence as men. This is especially true of migrant women, Pacific Island, Asian and Maori women. Although more women are in paid employment today their opportunities are often limited by education, culture and family circumstances. Equal Pay and Pay Equity remain goals which we pursue but have not yet achieved. Changing social patterns mean that many women will spend significant parts of their lives as sole parents with the attendant economic stress of that position. Yet women continue to live longer than men and to require longer support in retirement. The National Council of Women of New Zealand is aware that most women place considerable reliance on the availability of National Superannuation and therefore stresses the importance of maintaining this retirement provision.

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